

**Program Summary
Department of Transportation
Motor Vehicle Division Third Parties**

Program Overview

Administered by the Arizona Department of Transportation (ADOT), the Motor Vehicle Division (MVD) Third Parties Program allows the public to conduct certain MVD transactions through third parties instead of using MVD customer service offices. The program's stated goal is as follows:

- To provide service delivery alternatives to citizens and businesses for conducting transactions with MVD.
- To reduce the workload in MVD customer service offices and help lower the customer waiting time in those offices.
- To improve services and revenue collections through public/private partnerships.
- To ensure partners are producing accurate, effective services to the customers they serve.
- To improve MVD's service delivery capabilities through effective use of e-government/e-commerce."

ADOT has had a moratorium on new third parties for title and registration since mid-2002, and for vehicle inspections and driver license examiners since mid-2003. ADOT has also had a moratorium on driver schools since mid-2003.

The Third Parties Program includes 2 types of entities, both of which are commonly called third parties. First are entities who fall under the third party statutes and serve as contract agents in doing MVD work, such as title and registration transactions, driver license applications, driver license examiners, vehicle inspections, and 1 internet and telephone interactive voice response system provider (ServiceArizona). These third parties provide a convenient service for either the public, or for their own business or specific customer group. Currently there are 61 title and registration locations (2 also process driver license applications). The 61 title and registration locations include 40 that are open to the public (such as car dealers, car auctions, rental car companies, and other small businesses), and 21 businesses with their own fleets of vehicles or automobile and trucking associations. ADOT reports that even with a moratorium on new third parties, the number of third party transactions increases as existing third parties expand their operations at current sites and add new locations.

There are 377 vehicle identification number (VIN) inspection entities (mostly car dealers), who conduct

VIN inspections on out-of-state vehicles being registered in Arizona to verify that the VIN has not been changed. This eliminates their having to take out-of-state vehicles to MVD to be inspected.

Driver license examination third parties include commercial driver license (CDL) examiners who can only give the skills exam by federal rule, and non-CDL driver license examiners who can give both written and skill exams. Currently there are 130 driver license examination entities (118 CDL and 12 non-CDL) employing 445 examiners (400 CDL and 45 non-CDL).

The second type of third parties are entities for whom MVD provides oversight of work that is not MVD work, such as driver training schools and traffic survival schools. Drivers with certain traffic violations are required by MVD or a court to attend and successfully complete a traffic survival school in order to avoid driver license suspension. MVD licenses schools and certifies instructors. Currently there are 54 driver training schools (16 CDL and 38 non-CDL), 84 traffic survival schools, and 88 high school driver education programs offered through the Arizona Department of Education. ADOT's moratorium on driver schools prevents both existing companies from expanding and new companies from being licensed.

Program Funding

The Third Party Program receives funding from 3 sources: the State Highway Fund (SHF), the Motor Vehicle Liability Insurance Enforcement Fund (MVLIE) and the Highway User Revenue Fund (HURF). In FY 2006, the program is funded at \$2 million. This is an increase of \$400,000 (25.7%) over FY 2005. Additional monies were added for increased workload in third party quality assurance and to allow more driver license examination third parties. The FY 2006 funding level represents an increase of 43.1% from FY 2001 levels. *Table 1* displays historical funding information for the Third Party Program by fund source, using data from FY 2001, FY 2005 and FY 2006.

Table 1

Third Party Program Funding History

<u>Fund</u>	<u>FY 2001</u>	<u>FY 2005</u>	<u>FY 2006</u>
SHF	\$1,377,700	\$1,568,300	\$1,581,100
MVLIE	0	0	140,500
HURF	0	0	250,000
Total	\$1,377,700	\$1,568,300	\$1,971,600

History of Moratorium

The third party quality assurance section reviews 10% of the work done by statutory third parties who achieve 95% accuracy, and 100% of the work for those who do not. ADOT has had a moratorium on new third parties for title and registration since mid-2002, and for vehicle inspections and driver license examiners since mid-2003 due to a lack of quality assurance staff. The waiting list includes 115 title and registration entities, 111 vehicle identification number inspection entities, and 57 driver license examiner entities (32 CDL and 25 non-CDL).

The FY 2006 funding level includes an increase of \$140,500 and 3 FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2006 for increased workload in third party quality assurance. Third party quality assurance had 21 FTE Positions in FY 2005. The increase of 3 FTE Positions in FY 2006 represents a 14% increase in staffing. ADOT expects that the added funding will address growth in the workload from existing third parties, but that they will keep the moratorium on new third parties.

A General Appropriation Act footnote requires that ADOT submit quarterly progress reports for Joint Legislative Budget Committee review of their progress in increasing third party transactions, the status of third party quality assurance staffing, workload, backlog and the moratorium on accepting new third parties. The reports are due within 30 days after the end of each calendar quarter.

ADOT has had a moratorium on driver schools since mid-2003. The waiting list includes 62 driver training schools (35 CDL and 27 non-CDL), and 45 traffic survival schools.

The FY 2006 funding level includes an increase of \$250,000 and 5 FTE Positions from the Highway User Revenue Fund in FY 2006 to allow more commercial driver schools and up to 15 motorcycle dealers to become authorized third parties to administer their respective driver license examination. Driver training schools (for personal vehicles, motorcycles and commercial vehicles) and traffic survival schools had 5 FTE Positions in FY 2005. The increase of 5 FTE Positions in FY 2006 represents a 100% increase in staffing. ADOT expects to keep the moratorium on traffic survival schools and high school driver education programs.

Table 2 shows the approved FTE Positions for the MVD's Third Party Program in FY 2005, FY 2006 and the percent increase.

Table 2

Third Party Program FTE Positions

	<u>FY 2005</u>	<u>FY 2006</u>	<u>% Increase</u>
Administration	5	5	0%
Quality Assurance	21	24	14%
VIN Inspections	2	2	0%
ServiceArizona	4	4	0%
Driver Schools	<u>5</u>	<u>10</u>	<u>100%</u>
Total	37	45	22%

Performance Measures

Table 3 includes the measures ADOT uses to assess the performance of MVD's Third Parties Program. None of the third party performance measures are included in the General Appropriation Act. However, the General Appropriation Act does contain the related measure of the percent of alternative vehicle registration renewal methods, which includes mail renewals in addition to third party and third party internet renewals. The majority of the other measures assess program output and third party waiting lists.

The number of transactions by statutory third parties increased from 1.4 million in FY 2001 to 1.5 million in FY 2004, or 5.8%. MVD estimates that these transactions will increase to 2.3 million in FY 2006 (a 57% increase over FY 2004). MVD's third party quality assurance section had a monthly backlog of 50,100 transactions to check (mostly title and registration) in FY 2004. MVD estimates that they will maintain a 51,000 monthly quality assurance backlog in FY 2006 (a 1.8% increase over FY 2004). MVD estimates that their 3 new FTE Positions will allow them to handle the estimated 2.3 million statutory third party transactions, while maintaining an estimated 51,000 quality assurance backlog in FY 2006.

ADOT should continue to track the performance measures in *Table 3*, to aid in future evaluations of MVD's Third Party Program. A General Appropriation Act footnote requires that ADOT submit quarterly progress reports in FY 2006 for Joint Legislative Budget Committee review of their progress in increasing third party transactions, the status of third party quality assurance staffing, workload, backlog and the moratorium on accepting new third parties. The reports should include information on the number of transactions by statutory third parties, MVD's third party quality assurance monthly backlog, and all of the third party waiting lists shown in *Table 3*.

Table 3**Third Party Program Performance Measures**

<u>Performance Measure</u>	<u>FY 2001 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2006 Estimate</u>
Transactions by Statutory Third Parties	1,405,800	1,487,700	2,340,000
Statutory Third Party Transactions as a % of Total Third Party & Like MVD Transactions	24.5	22.9	33
MVD Third Party Quality Assurance Monthly Backlog of Transactions to Check (mostly title and registration)	NA	50,100	51,000
Percent of Third Party Registration Renewals by Service Arizona	16	27.9	37.5
Driver License Examination Third Parties	NA	192	235
Driver Training School Third Parties	NA	52	105
Traffic Survival School Third Parties	NA	92	84
Waiting List for Third Party Title & Registration Entities	NA	62	115
Waiting List for Third Party Vehicle Identification Number Inspection Entities	NA	42	160
Waiting List for Dr. License Exam Third Parties - CDL	NA	15	0
Waiting List for Dr. License Exam Third Parties - nonCDL	NA	7	28
Waiting List for Dr. License Exam Third Parties - Motorcycle	NA	2	7
Waiting List for Driver School Third Parties - CDL	NA	28	0
Waiting List for Driver School Third Parties - nonCDL	NA	9	24
Waiting List for Driver School Third Parties - Motorcycle	NA	2	7
Waiting List for Traffic Survival School Third Parties	NA	30	70

Related General Appropriation Act Performance Measure

Percent of alternative vehicle registration renewal methods (mail, internet, third party)	66	71.8	74
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Comments: The agency did not submit information for any measure labeled as "NA."